

Department of Financial Institutions

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Department Of Financial Institutions

OVERVIEW OF HB 444

Chris Thompson

Compliance Branch Manager



Department Of Financial Institutions

- The Kentucky Department of Financial Institutions (DFI) is the state agency responsible for the supervision of the financial services industry and for chartering, licensing and registering various financial institutions, securities firms and professionals operating in Kentucky.
- In order to accomplish its mission, DFI conducts examinations on state-regulated financial industries through its Division of Financial Institutions and Division of Securities.

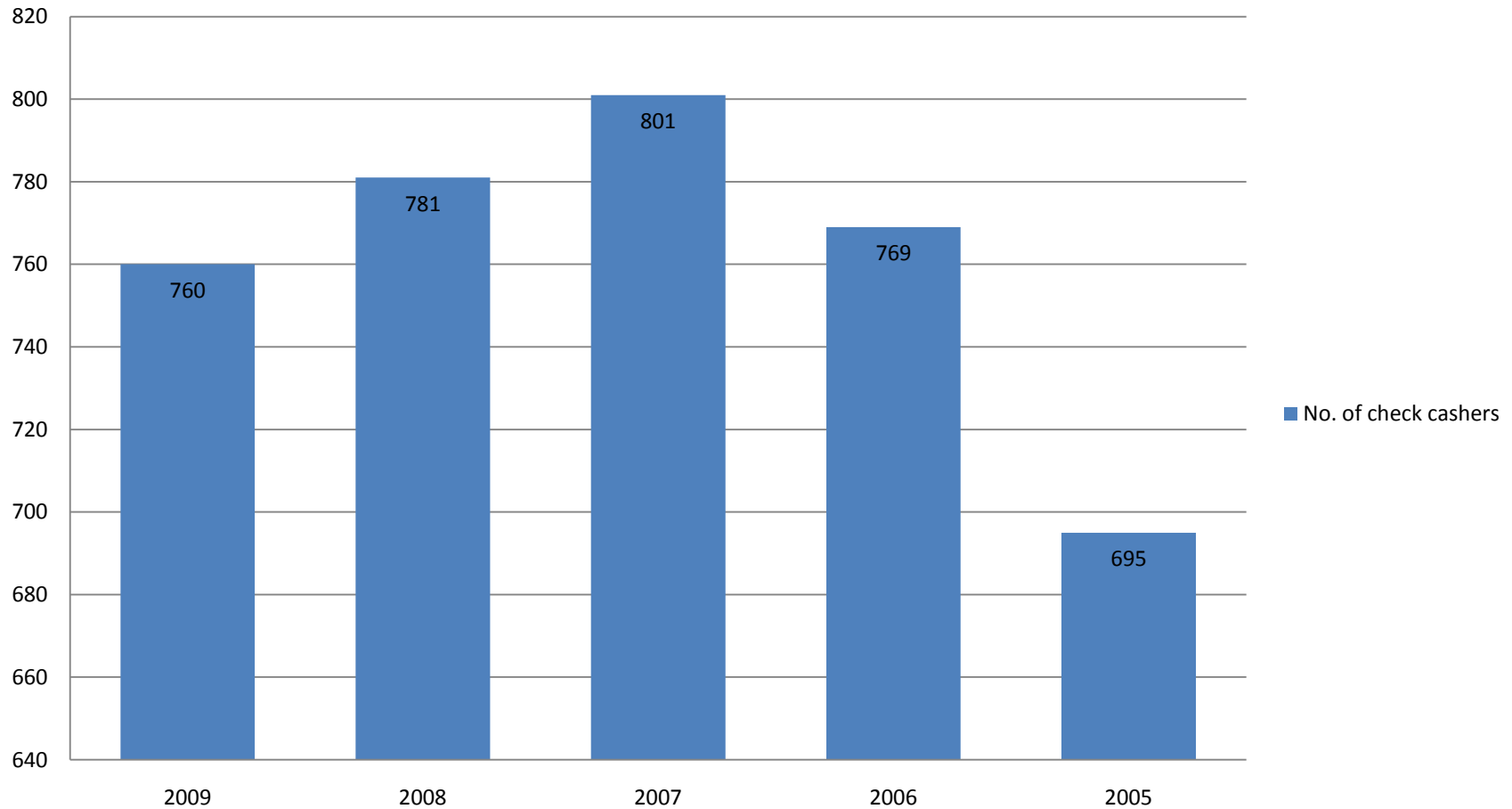


Compliance Branch

Nondepository institutions regulated by DFI include:

- Consumer loan companies
- Industrial loan companies
- Mortgage loan companies
- Mortgage loan brokers
- Mortgage loan originators and processors
- Check cashers/deferred deposit companies/payday lenders
- Title pledge lenders
- Money transmitters

Number of Check Cashers



HB 444

- Creates a real-time database
- Institutes a moratorium for licensing
- Provides additional enforcement strengths for DFI
- Other Changes

Note: The effective date is January 1, 2010, on all changes with the exception of the database and moratorium



Moratorium for Licensing

- After July 1, 2009, DFI shall not issue additional deferred deposit licenses for a period of 10 years
- Licenses shall be transferable subject to the approval of DFI

Other Licensing Changes

- Surety bond is an acceptable deposit instrument
- Increase in deposit/surety bond for companies with more locations

1 location	\$50,000
2- 5 locations	\$100,000
6 – 10 locations	\$150,000
11 – 20 locations	\$200,000
21 – 30 locations	\$300,000
31 – 40 locations	\$400,000
> 40 locations	\$500,000



Other Licensing Changes (cont.)

- The renewal application and fee must be received on or before June 20
- After expiration on June 30, licensee has 31 days to be reinstated with a \$100 late fee
- Licensee will not be reinstated after August 1



Enforcement Actions

- May suspend, revoke, place on probation, refuse to issue or renew, order refunds be paid, or issue a cease-and-desist order if fail to adhere to KRS 286.9-110 which includes:
 - Committing fraud or misrepresentation
 - Committing violations of statute
 - Lack of financial responsibilities or experience
 - Insolvency
 - Refusing to permit examination
 - Conviction of felony or misdemeanor involving fraud
 - License revoked or denied in another state
 - Failure to pay fee

Enforcement Actions (cont.)

- May levy a civil penalty between \$1,000 and \$5,000 for any violation of statute, regulation or order by the Commissioner
- May notify the Dept. of Revenue which may institute an action to recover civil penalties, fines, costs or fees levied by DFI
- If denied for license shall not be eligible to apply for license for one year
- If license revoked shall not be eligible to apply for license for three years



Enforcement Actions (cont.)

- Any transactions made with a person who is not licensed shall be void and that person shall not collect any principal, fee, interest or charges
- DFI may void any transaction that is in violation. The licensee shall be allowed to recover principal, but not fees or charges

Other

- All records must be preserved for a minimum of three years
- To cease operation, notify DFI in writing 30 days prior and disclose where the records are going to be kept
- DFI may issue an emergency order suspending, conditioning, limiting or restricting a license without notice if licensee is engaging in unsafe, unsound or illegal practices
- Aggregate amount allowed to any customer is \$500 of total proceeds received by the customer

Database

- On or before July 1, 2010, a common database with real-time access through an Internet connection
- Deferred deposit businesses must verify whether any deferred deposit transactions are outstanding for a particular person

Database (cont.)

- \$1 fee per transaction which may be charged to the customer
- To be operated by a third party provider
- Provider will notify licensee if customer is eligible or ineligible for a new transaction
- Enforcement of database shall be effective 90 days after the implementation date

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